Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)	
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Lifeline and Link Up Reform and)	WC Docket No. 11-42
Modernization)	
)	
Federal-State Joint Board on Universal)	CC Docket No. 96-45
Service)	
)	
Lifeline and Link Un)	WC Docket No. 03-109

COMMENTS OF ATLANTIC TELE-NETWORK, INC. ALLIED WIRELESS COMMUNICATIONS CORPORATION COMMNET OF NEVADA, LLC CHOICE COMMUNICATIONS, LLC

SUMMARY

As ETCs in multiple states and territories with a history of offering services aimed at low-income customers, Allied Wireless, Commnet and Choice (the "Companies"), and their parent company, Atlantic Tele-Network, know first-hand the importance and benefits of providing Lifeline and Link Up discounts to qualified consumers. The Companies have acted diligently to implement outreach strategies, train employees and develop internal processes to both maximize the availability of Lifeline and Link Up subsidies and ensure that any funding received is used in compliance with State and Federal rules.

The Companies support the Commission's pilot program proposal. However, an overly lengthy pilot program that delays the Commission's transition to Lifeline for broadband services will only hurt customers who can least afford these service and which are now clearly a necessity.

Unfortunately, many otherwise eligible low-income consumers are being excluded from participation in the Lifeline and Link Up programs because of the "one-per-household" restriction. As part of its reform initiative, the Companies believe that the Commission should adopt a rule that allows one Lifeline discount to be provided to each eligible adult in a qualified household. The Commission should also focus its efforts on ensuring that all customers that meet current Lifeline/Link-Up qualifying criteria receive available telephone subsidies. In 2010, less than 35% of qualified households participated in the Lifeline program.

The adoption of a "one-per-household" rule makes no sense in an age where wireless telephone service has become essential, not a mere convenience. Getting rid of the archaic "one-per-household" restriction and adopting a more realistic and applicable "one-per-adult" rule will not only make this point moot, but make elimination of duplicate Lifeline/Link Up support easier and more practical.

Providing subsidies for the handsets or other equipment needed by customers to access broadband will be critical to the success of any broadband Lifeline program. In a broadband era, the Commission should know well that equipment is as important as the network to ensure customers receive the full benefit of high-speed broadband service. Lifeline customers should not be precluded from enjoying the full benefits of high-speed broadband service simply because they cannot afford to put down a substantial down payment upfront for the equipment costs.

The Companies have a sincere interest in preventing waste, fraud and abuse while avoiding the inadvertent disqualification of low-income individuals who are the intended beneficiaries of the Commission's Low Income program. To that end, the Companies recommend that the Commission establish clear criteria that all carriers must use when determining whether a customer is "active" or "inactive." Commission clarification on this unresolved matter could reduce the size of the USF by tens or, perhaps, hundreds of millions of dollars, and help minimize waste and fraud.

Finally, the Commission should decline to alter the current levels of Link Up support.

Limiting the Link Up fee for service installations that involve physical installations is a wirelinecentric proposal that would violate the fundamental principle of competitive and technological
neutrality. Instead, the Commission should consider expanding Link Up to subsidize equipment
costs which would be more in line with the realities of today while supporting the underlying
goal of the Link Up program – to overcome the initial connectivity hurdle.

TABLE OF CONTENTS

I.	INTRODUCTION	. 1
II.	BROADBAND PILOT PROGRAM	. 3
	A. Consumer Eligibility and the Harm Being Caused by the "One-Per-Household" Limitation.	. 3
I	B. Barriers to Consumer Participation	. 6
(C. Pilot Evaluation	. 6
	1. Equipment and Handset Discounts	. 6
	2. Impact on Adoption and Retention When the Equipment is Leased	. 8
	3. Other Types of Data.	. 8
III.	ONE-PER-HOUSEHOLD RULE	. 9
A	A. Defining "Household" or "Residence."	. 9
	1. Whether the Definition Should Mirror that Used in Other Government Programs	10
	2. TracFone's Procedures.	10
	3. MFY Legal Services Proposal to Use Room or Bed Numbers as Unique Identifiers.	11
	4. Exceptions from "One-Per-Household" Rule: Potential Use of NTIA Rule as Model.	12
	5. Smith Bagley One-Per-Adult Proposal for Tribal Lands	12
IV.	POTENTIAL RESTRICTIONS ON LINK UP	13
A	A. Sprint's Comments Regarding Declining Cost of Initiating Service	13
I	B. Limiting Reimbursement to "Costs Actually Incurred."	14
V.	CONCLUSION	14

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Atlantic Tele-Network, Inc. ("ATNI"), Allied Wireless Communications Corporation ("Allied Wireless"), Commnet of Nevada, LLC ("Commnet") and Choice Communications, LLC ("Choice") (Allied Wireless, Commnet and Choice are herein collectively referred to as "the Companies"), pursuant to the Federal Communication Commission's ("FCC" or "Commission") Notice released August 5, 2011, hereby submit comments in the above-referenced proceedings.

I. INTRODUCTION

Allied Wireless, Commnet and Choice² are Commercial Mobile Radio Service ("CMRS") providers that have been designated as eligible telecommunications carriers ("ETCs") for purposes of receiving federal high-cost and low-income support in multiple U.S. states and

¹ Further Inquiry into Four Issues in the Universal Service Lifeline/Link Up Reform and Modernization Proceeding, Public Notice, WC Docket Nos. 11-42, 03-109; CC Docket No. 96-45 (rel. Aug. 5, 2011) ("Notice").

² Allied Wireless, which serves rural areas in six states, has been designated an ETC in Georgia, Idaho and North Carolina. Commnet, which offers service in the southwest, has been designated an ETC in Colorado and Nevada. Choice has been designated as an ETC in the U.S. Virgin Islands.

territories. All of the Companies are wholly-owned subsidiaries of ATNI, a publicly-held company headquartered in Beverly, Massachusetts.

The Companies take very seriously their obligations as ETCs to make discounted telephone service available to low-income consumers, and look forward to the near future when they will be able to offer Lifeline and Link Up subsidies for broadband services. To that end, the Companies support the Commission's proposed broadband pilot program, so long as the "pilot" program is in place for a limited duration and does not become a substitute for the Commission's intended transition from a Universal Service Fund ("USF") that subsidizes broadband services, as opposed to today's voice-only USF subsidy.

Where designated, the Companies have acted diligently to implement outreach strategies, train employees, and develop systems and processes to both maximize the availability of Lifeline and Link Up and ensure the proper and efficient administration of funds. The Companies have a sincere interest in preventing waste, fraud and abuse while avoiding the inadvertent disqualification of low-income individuals who are the intended beneficiaries of the Commission's Low-Income Fund.

Going forward, the Commission's attention must be focused on ensuring that more customers that meet applicable eligibility criteria receive Lifeline and Link Up subsidies, and, in order to combat waste, fraud and abuse, also focus on ensuring that those who are not eligible for Lifeline and Link Up are removed from the system. To this end, the Commission should: (i) remove the wireline bias embodied in the "one-per-household" restriction; (ii) ensure that discounts are provided on a competitively and technologically neutral basis, and in a manner that does not require service providers to unbundle broadband from other services such as voice service or otherwise alter their rate structures; and (iii) test the impact on adoption and retention

of variations in equipment discounts. The Companies experiences to date suggest that handset and other equipment costs will likely be a critical factor that drives broadband adoption and retention rates among low income individuals.

II. BROADBAND PILOT PROGRAM

While the Companies support the pilot program proposal to gauge the effectiveness of mechanisms aimed at increasing broadband subscribership and recognize the importance of good data toward making sound decisions, the Companies also urge the Commission to move quickly to adopt rules to reform and modernize the Lifeline and Link-Up programs. An overly lengthy pilot program or a delay in adopting reasonable rules to reform and modernize Lifeline and Link-Up programs will only hurt customers who least can afford the services that are widely used and increasingly becoming a necessity.

As discussed in more detail below, the broadband pilot program does not necessarily need to have any special eligibility criteria distinct from those used in the current program; rather, the Companies believe that the Commission, many state agencies and the industry all need to do more outreach to ensure that the millions of qualified Lifeline recipients are made better aware of the Lifeline and Link-Up discounts available to them. In addition, the broadband Lifeline and Link Up subsidies should be made available not merely for monthly rates and service initiation fees, but also to cover the costs of handsets and customer education about using broadband services and equipment.

A. Consumer Eligibility and the Harm Being Caused by the "One-Per-Household" Limitation.

Before expanding the Lifeline/Link Up eligibility criteria, the Companies believe that the Commission should focus its efforts on ensuring that all customers who meet current Lifeline/Link Up eligibility-qualifying criteria receive the available subsidies. Today, many

otherwise eligible low-income consumers are being excluded from participation in the Lifeline program because of the "one-per-household" restriction. This restriction is a wireline construct. It ignores the reality that phones and phone service – regardless of economic situation – are associated with people, not places.

The following data reported in the 15th Mobile Wireless Competition Report speaks to today's reality in the marketplace:

- The number of adults who rely exclusively on mobile wireless for voice service has increased significantly in recent years. According to the January-June 2010 National Health Interview Survey (NHIS), 24.9 percent of adults, or approximately one in every four, lived in households with wireless phones only during the first half of 2010.
- For adults aged 25-29, more than half (51.3 percent) lived in households with wireless-only telephones, which is the first time that wireless-only households have exceeded landline households in any of the age ranges examined.
- The Commission estimates that there were approximately 55.8 million subscribers to terrestrial mobile wireless Internet access services, at speeds exceeding 200 kbps in at least one direction, at the end of 2009.

Furthermore, the number of participating households increased from 9.2 million in December 2009 to 11.1 million in December 2010 which was driven, in large part, by prepaid wireless offerings. However, according to USAC, still less than 35% of eligible households subscribed to Lifeline service in 2010.

There are also important public safety considerations for the Commission to consider in its "one-per-household" proposal. For example, when one person in the household leaves the home with the household's "Lifeline," the others members of the household are at risk if an emergency arises. In a recently released Pew survey, 40% of cell owners said they had found themselves in an emergency situation in which having their phone with them helped.³ The

4

³ "Americans and Their Cell Phones," Pew Internet & American Life Project (Aug. 15, 2011), available online at http://pewinternet.org/Reports/2011/Cell-Phones.aspx.

increasing popularity of family share plans⁴ and the availability of public safety communications capabilities demonstrates that a phone is now essential for *people wherever they are* and not simply for use in their homes.

In addition, a "one-per-household" limitation is especially punitive in light of the heavy reliance of low-income consumers on wireless service.⁵ For instance, a 2010 Pew Study found that 46% of households earning less than \$30,000 a year are wireless Internet users. The study found that the lowest income group surveyed was the fastest growing – up by 11 percentage points from 35% in April 2009.

Low income consumers are mobile and move frequently: today, as more people "cut the cord" and favor the mobility and enhanced services provided by the wireless industry, it is unlikely that temporary accommodations will have a landline telephone. In addition, payphones are becoming a relic. Although the "one-per-household" restriction has worked its way into the Commission's orders and is articulated in the Link Up rules, it has never been codified in the Lifeline rules. The Companies submit that it would be a straightforward matter for the

⁴ According to the studies cited in the Commission's most recent CMRS Competition Report, 66-67% of mobile wireless subscribers were family plan members in 2009, up from 35% in 2004. *See Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and analysis of Competitive Market Conditions With Respect to Mobile Wireless, Including Commercial Mobile Services, Fifteenth Report, WT Docket No. 10-133 (rel. June 27, 2011)* ¶ 167 ("Fifteenth CMRS Competition Report").

⁵ Despite the fact that Mississippi is the nation's poorest state from a personal income per capita perspective and substantially rural, more than 35% of Mississippi's 1 million households are wireless-only – the highest percentage of any state. *See* U.S. Census Bureau, State Rankings -- Statistical Abstract of the United States, Personal Income Per Capita in Current Dollars, 2007 (accessible at http://www.census.gov/statab/ranks/rank29.html); *see also* Letter from Governor Haley Barbour to Julius Genachowski, Chairman, FCC (Aug. 22, 2011), at 1.

⁶ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8957 (para. 341) (1997) ("First Report and Order") (subsequent history omitted). See Lifeline and Link-Up, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, 8306 (para. 4) (2004) ("Lifeline and Link Up Order"). The rules prescribed by the Commission implementing its Lifeline program do not specifically codify the one-per-household limitation adopted in the First Report and Order, although the Commission's Link Up rules specify that Link Up assistance involves "[a] reduction in the carrier's customary charge for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence." 47 C.F.R. § 54.411(a)(1).

Commission to adopt a rule that states that one Lifeline discount may be provided to each eligible adult in a qualified household.

B. Barriers to Consumer Participation.

The Companies support NARUC's recommendation that broadband Lifeline pilot program participants should not be required to change providers or take bundled voice and broadband services. To the extent that the Commission elects to provide two Lifeline subsidies for a certain length of time – a policy which the Companies would support – participants should not be discouraged nor disallowed from receiving their voice service and the Lifeline discount from one carrier and their broadband service and the broadband discount from another carrier. Indeed, a carrier providing voice Lifeline in a given area might not even have the ability to provide broadband. Lifeline customers should not be precluded from choice in the marketplace simply because they are participating in an assistance program. If one eligible carrier has a superior voice offering and another a superior broadband offering in a given area, Lifeline customers should be afforded the same choice as non-Lifeline customers. In today's free market, consumers are able to choose their telephone service provider, and if they wish to take broadband service from a different company, they are free to do so. The broadband pilot program should reflect this marketplace reality.

C. Pilot Evaluation.

The Commission should test several variations in service and equipment discounts to assess their impact on uptake and retention of broadband service.

1. Equipment and Handset Discounts.

The pilot program should most certainly determine the impact discounted equipment has on the level of broadband adoption and retention. Mobile wireless devices that have the

capability to access the Internet, although not cheap, are often less expensive and more affordable than desktops and laptops. In fact, a 2009 Pew Survey found that 41% of teens in lower income households said they used cell phones to access the Internet compared to 25% of higher income households. Providing subsidies for the handsets or other equipment needed by customers to access broadband will be critical to the success of any broadband Lifeline program. In fact, based on experience, the Companies believe equipment costs are going to be the single most important factor that influences broadband adoption and retention rates. Therefore, the Companies urge the Commission to gather as much data as possible around this issue to help the Commission make a sound decision that is based on fact.

Wireless carriers have to make a significant upfront investment upfront on each Lifeline customer without knowing how long the customer is going to be using the service, whether the customer is likely to make the monthly payments to receive service, whether the customer will need replacement equipment and can afford to purchase it or how long the customer is going to be eligible for the low income discounts. A key function of the Lifeline broadband program should be to assume some of this risk in order to enable service providers to reach out to low-income communities and maximize broadband subscribership despite these factors.

In a broadband era, the Commission should know well that equipment is as important as the network to ensure customers receive the full benefit of high-speed broadband service.

Therefore, unless customers can use Lifeline support to help them afford the equipment capable of harnessing the full benefits of high-speed broadband, the service providers will have less incentive to invest resources in state-of-the-art networks and the overall losers are going to be

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⁷ According to a November 2010 NTIA study, 18% of non-adopters of broadband service in the home indicated the reason they did not have broadband service was "no computer or computer inadequate". Nat'l Telecomm. & Info. Admin., Exploring the Digital Nation: Home Broadband Internet Adoption in the United States (November 2010) at Figure 6, available at http://www.ntia.doc.gov/files/ntia/publications/ntia internet use report feb2010.pdf.

low-income customers. Lifeline customers should not be precluded from enjoying the full benefits of high-speed broadband service simply because they cannot afford the down payment necessary to cover the equipment costs.

2. Impact on Adoption and Retention When the Equipment is Leased.

As discussed above, affordable equipment costs are going to be central to broadband adoption and retention. The Commission should explore all reasonable avenues to reducing those costs including the leasing of equipment. As part of this effort, the Commission should also consider replacement costs associated with leased handsets that are lost, stolen or no longer functional.

3. Other Types of Data.

The Commission has asked what other types of data should be collected to evaluate whether a given approach would provide support that is sufficient, but not excessive. In addition to the above data elements, the Companies have direct experience with high churn rates among Lifeline customers. Understanding and reducing churn will reduce the overall cost of providing service because service providers will have less stranded investment in the form of equipment costs and the costs associated with acquiring a customer. The Commission should gather data on churn and how it impacts the willingness of carriers to invest (and recover their investment) and examine policy alternatives that could help reduce churn.

In addition, understanding the above normal "inactive" rates among Lifeline customers is essential to determining support levels that are sufficient, but not excessive. The Commission should gather data on how many Lifeline lines become inactive during the trial period and how it impacts the ability of carriers to recover their investment, and examine policy alternatives that could reduce the number of inactive lines. Lowering "inactive" Lifeline customer levels will

reduce the overall cost of providing service. This proposal will also help the FCC and carriers cull from the ranks of Lifeline customers those who are not eligible for support, making the program both more efficient and more accurate. To that end, the Companies recommend that the Commission establish clear criteria that all carriers must use when determining whether a customer is "active" or "inactive," and therefore, assist carriers in determining whether a line should be considered "eligible" or "ineligible" for USF support. Commission clarification on the active/inactive status of a customer could reduce the size of the Low-Income Fund by tens or, perhaps, hundreds of millions of dollars and help minimize waste and fraud.

III. ONE-PER-HOUSEHOLD RULE

A. Defining "Household" or "Residence."

The Commission has requested comment on the threshold issue of "whether a one-per-household or one-per-family rule would provide an administratively feasible approach to providing Lifeline/Link Up support[.]" As the Companies argued *supra*, the adoption of a "one-per-household" rule makes no sense in an age where wireless telephone service has become essential, not a mere convenience. Getting rid of the archaic "one-per-household" restriction and adopting a more realistic and applicable "one-per-adult" rule will not only make this point moot but make elimination of duplicate Lifeline/Link Up support easier and more practical. Should the Commission nonetheless determine that a "one-per-household" restriction is appropriate, the following should be considered:

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⁸ See Notice at 4.

1. Whether the Definition Should Mirror that Used in Other Government Programs.

If the Commission nonetheless determines that a one-per-household restriction is appropriate, the term "household" should be defined in a way that is not dependent on a unique mailing address of a particular subscriber. For instance, the Companies would be inclined to support the use of the Census Bureau definition, which essentially defines household as all of the persons occupying a housing unit consisting of separate living quarters. Defining "household" based on one's postal address would have the effect of disqualifying outright many qualified individuals who are in separate households that have the same postal address. This situation is very common in rural and insular areas where individual housing units often lack house numbers or any postal address at all. In order to prevent this unintended result, carriers and/or consumers would be required to provide evidence that there are separate households notwithstanding the single address. This is essentially what happens today, under the Commission's de facto one-perhousehold policy: Universal Service Administrative Company ("USAC") auditors "red flag" all instances in which an audited ETC has more than one Lifeline discount with the same billing address, and the ETC is called upon to "disprove" the auditor's default conclusion that more than one discount has been provided to the same household. By relying on individual investigations by ETCs, a definition based on postal address is wasteful and burdensome. 10

2. TracFone's Procedures.

The adoption of the centralized administration proposed by TracFone is unnecessary and costly. USAC, or another entity selected to maintain and administer the database, would be a

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⁹ See Notice at n.25.

¹⁰ If a customer changes Lifeline providers and the successor provider is audited, then the new provider might have to undertake the same investigation already performed by its predecessor. Centralized administration would avoid the need to reinvent the wheel as the administering agency could simply query the database to verify that a household does not receive more than one Lifeline discount.

more appropriate entity to obtain information from consumers and group living facilities. The database administrator would determine whether an individual applicant is in a household that already receives Lifeline service. Individual carriers would not need to perform these often duplicative and overlapping inquiries.

In the absence of centralized administration – and perhaps during the interim period during which the national database is created and state agencies are selected and prepared for their role in centralized administration – ETCs should be permitted to utilize reasonable procedures to eliminate duplicate Lifeline subsidies. Should USAC or any other Administrator of the Lifeline program desire to request the FCC's written guidance on any specific aspect of a particular carrier's processes, USAC or the Administrator could do so and the FCC could provide guidance with input from carriers. Such an approach will reduce "regulatory lag."

3. MFY Legal Services Proposal to Use Room or Bed Numbers as Unique Identifiers.

The removal of the "one-per-household" restriction would make the MFY Legal Services proposal moot. Nevertheless, should the restriction be retained, the Companies support the proposal to use room numbers and, if applicable, bed numbers as a unique identifier for Lifeline customers in group living facilities, including nursing homes, assisted living facilities, and homeless shelters. However, carriers should not be required to engage in the burdensome process of obtaining documentation from group home administrators.

To avoid undue administrative burdens on ETCs, the MFY approach should only be adopted in conjunction with centralized administration. If centralized administration is implemented, the group home owner or administrator would provide the numbering information to USAC or other entity selected to administer the Lifeline database. To minimize the risk of duplicate numbers being provided, the group home owner or administrator, and not the

individual resident, should bear the responsibility for assigning numbers in the event rooms or beds are not numbered.

4. Exceptions from "One-Per-Household" Rule: Potential Use of NTIA Rule as Model.

The Companies believe that the NTIA waivers adopted in the context of coupons for digital set-top converter boxes can be a useful model for the Lifeline context. In the event the Commission adopts a "one-per-household" rule, a set of procedures like those adopted by the NTIA for group homes and for customers with P.O. Box addresses would be reasonable. In the group home context, the NTIA procedures provide that either: (1) the individual resident may apply for a coupon by providing self-identifying information and the name and address of the group living facility; or (2) the group home administrator may apply on the resident's behalf. In either case, this is an easily-administered approach that avoids the need for assigning individual numbers to rooms or beds. Any such set of procedures should also be extended to homeless shelters, since either residents or shelter administrators could follow the required steps in the same manner as in the nursing home context.

5. Smith Bagley One-Per-Adult Proposal for Tribal Lands.

The Companies support the proposal by Smith Bagley, Inc. ("Smith Bagley") to make one Lifeline discount available to each qualifying adult in tribal areas. In the absence of the removal of the "one-per-household" restriction in favor of a program-wide "one-per-adult" rule, a "one-per-adult" exception will be essential for improving telephone subscribership – and ultimately broadband adoption, as discussed above – on tribal lands. Such an eligibility expansion is also sorely needed in insular areas which, in general, are not all that different from tribal lands from both an economic and broadband

penetration perspective. Further, as discussed above, the Commission should also consider expanding this proposal to all areas.

IV. POTENTIAL RESTRICTIONS ON LINK UP

A. Sprint's Comments Regarding Declining Cost of Initiating Service.

The Companies support the Commission's proposal to define Link Up as "the ordinary initiation charge that an ETC routinely imposes on all customers within a state." Beyond establishing this definition, the Commission should decline to alter the current levels of Link Up support.

Limiting the Link Up fee for service installations that involve physical installations is a wireline-centric proposal that would violate the fundamental principle of competitive and technological neutrality. Instead, the Commission should consider expanding Link Up to subsidize equipment (*e.g.*, device) costs which would be more in line with the realities of today while supporting the underlying goal of the Link Up program – to overcome the initial connectivity hurdle. Sprint – which has primarily focused on receiving high-cost support and has historically demonstrated scant participation in the Low-Income program¹² – offers no justification for its proposal other than to make the conclusory statement that "the everincreasing level of automation has reduced the cost of initiating service[.]" Sprint offers no evidence in support of this statement, nor does it explain how a purported *reduction* in cost could justify the *elimination* of Link Up altogether.

13

¹¹ Lifeline NPRM at \P 73 (to be codified at 47 CFR § 54.400(e)).

¹² See Universal Service Administrative Company, Low Income Appendix LI05 - Annual Low Income Support Amounts, 2008 through 1Q2011, available at http://www.usac.org/about/governance/fcc-filings/2011/quarter-4.aspx.

¹³ Sprint Comments at 9.

B. Limiting Reimbursement to "Costs Actually Incurred."

The Notice also seeks comment on whether Link Up should be limited to "service initiations that involve the physical installation of facilities by the provider at the consumer's residence." ¹⁴ The fact is that there are significant costs involved in the customer activation process, and companies that receive Link Up are being legitimately reimbursed for the costs inherent in activating a Lifeline customer. To the extent a company's activation fee covers costs involved in building out facilities to reach the customer's premises, Link Up should continue to reimburse such costs, but not to the exclusion of other service initiation costs.

V. CONCLUSION

For all of the aforementioned reasons, the Commission should remove the wireline bias embodied in the "one-per-household" restriction, and ensure that broadband Lifeline and Link Up subsidies are also available to subsidize broadband equipment. The Commission's reforms should also ensure that Lifeline and Link Up subsidies are provided on a competitively and technologically neutral basis so that more customers that would currently qualify for Lifeline and Link Up are able to access these critical subsidies. At the same, the Commission must also continue to efforts to combat the waste, fraud and abuse that is rampant within the Low-Income Fund.

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¹⁴ Notice at 6.

Respectfully submitted,

<u>/s/_____</u>

Douglas J. Minster

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